LAND TENURE AND LAND MONOPOLY IN NEW ZEALAND. I.

LAND TENURE

It might be supposed that in a country like New Zealand, so recently settled and so democratic in its constitution, the evils of the land problem in older countries would have been successfully avoided. Yet the people of the Dominion do not appear to think so; for there has scarcely been a year since responsible government was granted in which Parliament has not passed new land laws or amended old ones. The Land Act, 1892, repealed fifty-two acts and ordinances, and since then sixty-eight amendments of more or less importance have been passed.

Two main aspects of the land question have from time to time loomed large in the public mind in New Zealand. The first of these is, "Should the state sell its lands at all or merely lease them?" The second is, "What is the most effective means of preventing land monopoly and the aggregation of large estates?"

At various times one or other of these questions has engrossed the attention of Parliament and the people. The attempts made and the results achieved form one of the most interesting object-lessons New Zealand has yet furnished to the student of economics.

The advisability of the state's retaining its own lands did not enter seriously into politics until the decade between 1870 and 1880. Prior to that the legislature and the provincial governments were more concerned with getting the land taken up and settled than with any theoretical views of land tenure. Edward Gibbon Wakefield, the founder of New Zealand, laid down the principle that the land should only be sold at a uniform and sufficient price and the proceeds employed in importing labor and carrying out public works. His system has been fiercely attacked as an attempt to reproduce a landed aristocracy in New Zealand and has been ably defended[1] as a means of securing settlers of

[1] See Reeves, *State Experiments.*

a good class, checking monopoly, and preserving the public estate. On the whole his policy would still repay study in any country which had yet to face the problem of settling new lands.

The details of the early disposal of the public lands is extremely involved owing to the system of local government which prevailed. There were six provincial councils—and later eight—all developing their own settlements in their own way. But they all sold their lands for cash with the double object in view of settling the land and securing an immediate revenue for carrying out public works.

In 1870 the Colony entered on a large system of borrowing for public works and immigration. Two results followed: First, the large loans rendered it unnecessary for the state to rely on land sales as a means of getting funds to build railways, roads, and bridges; secondly, the construction of these public works and the inflow of immigrants rapidly enhanced land values. The eyes of a few thoughtful public men were opened and they began to question the expediency of first parting with the public estate and then enhancing its value in the hands of private persons by spending millions in public works—in short, by fostering the unearned increment for the benefit of the speculator.

The names of three New Zealand statesmen are closely associated with the efforts made to retain the public lands or part of them for the state. Rolleston, who became Minister for Lands in 1879, was a man of fine culture, liberal views, and rare political honesty. In 1882 he introduced a land bill by which he proposed to institute a system of perpetual leases as regarded one-third of the crown lands so that future generations might benefit by the large rents which would accrue. These rents were to be applied for educational and other purposes. In a speech which is still one of the best that can be read on the land question he pointed to the dangers of land monopoly and the immense advantages which were to be derived from large landed endowments.

Had Rolleston succeeded in passing his bill the whole history of the land question in New Zealand would have been changed. But the Upper House, which was then a very conservative body,

regarded the bill as an attempt at land nationalization and insisted on inserting in these perpetual leases a right of purchase by the tenant. To this Rolleston strongly objected because, as he pointed out, the perpetual lease would then be merely a duplication, with slight changes, of the deferred-payment system which had been in force for six years. He made strong and repeated efforts to cut out this right of purchase but his efforts were fruitless. The Upper House remained obstinate and defeated his object both in the bill mentioned and in a similar bill introduced the next year.

The next Minister for Lands was John Ballance, who was even more strongly in favor of land nationalization than was Rolleston. In 1885 he repeated the attempt made by Rolleston and sought to lay down the principle that the state should retain one-third of its lands for all time, to be leased on renewable leases. A long struggle again ensued, but a similar fate befell his bill, and the right of purchase was again inserted.

The third Minister for Lands who tried to enact the principle of state ownership of land was Sir John McKenzie, who succeeded in passing his bill but failed to attain the only object that state ownership aims at, namely, the retaining of the unearned increment for the benefit of the state by reappraisal of the rent at stated intervals. Sir John was a Highlander of strong personality, deeply impressed with the evils of land monopoly in Scotland. He was determined at all costs to prevent such a system in New Zealand. He felt that once the freehold was parted with, it was impossible to prevent the rich man buying out the small settler. He believed that the only way he could prevent this happening was for the state to retain the land and lease it. But he was a practical farmer, and when the objection was raised that the farmer would not cultivate his land as well under the system of leasing as under a freehold system, he decided to give the tenant a term which was as good as a freehold, but to retain the nominal ownership in the hands of the state to prevent the building up of large estates. He therefore granted leases for 999 years at a fixed rental without any periodical reappraisement of rent. This rental was calculated at 4 per cent.

on the capital value of the land at the time the lease was taken up. This amazing tenure—popularly known as "the eternal lease"—has during recent years formed the storm center of New Zealand politics. Its author did not realize what results would accrue from it. It meant that for ten centuries the state parted with all its interest in the land save 4 per cent. rental on the original value. It meant that in the course of a century or so the state might be losing more by way of land tax than it got by way of rent, that no matter what increase in land values took place, owing to railway and road construction, the state could claim none of the increased value.

The leases under this system were soon very popular. Although the area which could be held by one man was limited —namely, 640 acres of first-class land or 2,000 acres of second-class land—the advantages to the tenant of getting his land on such a tenure were obvious. He had, for all practical purposes, a freehold without having had to buy his land.

The Colony, soon after this system of leasing in perpetuity was begun, entered on an era of unexampled prosperity. The result was that land values increased in a marked degree. The tenants, who soon numbered some thousands, waxed prosperous, and after about ten years they began to ask for the right to buy the freehold of their properties. The chief reasons urged for this course were:

(1) That it would pay the Colony to sell the freehold and expend the money received in purchasing large estates for subdivision and closer settlement instead of borrowing millions from abroad for this purpose and remitting the greater part of the rents to the foreign money-lender by way of interest.

(2) That the restrictions as to cropping, personal residence on the property, and other covenants in their leases were vexatious, and by purchasing the freehold they could farm their lands as they wished.

(3) That the labor unions and single-tax advocates were agitating for reappraisement of the rents of the lands leased for 999 years.

As to the last mentioned reason, while it has been denied that such agitation took place, without doubt the Labor Party freely advocated such a course. Some of their leaders disavowed the proposal as being a grave breach of contract on the part of the

state, but the revaluation of existing rents was a constant proposal at their annual conferences.

The question soon became a political one. This in itself is significant, and had been predicted as far back as 1882 by the opponents of Rolleston's scheme. These opponents argued against the creation of a state tenantry on the ground that so soon as the tenants became numerous enough to exercise political pressure, they would demand the freehold, or, in times of depression, would demand a reduction in rent. By 1905 the pressure had become so great that even Seddon could not fend off the issue any longer. To gain time he appointed a Royal Commission to report on the whole subject of land tenure. But while this served his purpose it served no good purpose. The commission were divided in their recommendations, half advocating the granting of the freehold on certain conditions and half the contrary.

After many debates the legislature, in 1907, allowed the right of purchase to the lessees in perpetuity; but this concession has hardly proved satisfactory and has been declared valueless by the tenants. Because the whole question at stake was, "What was to be treated as the value of the land—the original value at the time the tenant took his lease or the value at the time he was given the right to buy the freehold?" The question was important because many tenants had bought their leases and paid thousands of pounds for them. If they had to pay over again to the state for the right to become freeholders at the present value of the land, it would mean that they paid twice over for the same thing. The state had parted with all interest in the land for 999 years: hence its only interest in the land was the capitalized rental of 4 per cent. on the original value. On the part of the state it was argued that the tenant, in getting the freehold, was getting something which he had not bargained for in his lease and that it would be monstrous to allow him to purchase lands which had doubled and trebled in value at the original value.

The system of lease in perpetuity was abolished in 1907. This course met with universal approval and put a stop to one

of the worst blunders ever made in land legislation. The law, however, could only apply to the future, and under the lease-in-perpetuity system, which had been in force for fifteen years, about two million acres of the best land of the Colony had been parted with. In its place was enacted the renewable lease—namely, a lease for 66 years, with provisions for valuation and renewal at a reappraised rent. All other forms of tenure, however, were not abolished, for lands may still be sold for cash or on the occupation-with-right-of-purchase system. For while we have, throughout this article, been dealing with the leasing of crown lands, it must not be thought that no other tenure existed during the periods mentioned. The leasing system has always been only one of three methods of disposing of crown lands. From 1882 to 1892, lands might be sold for cash, or on the deferred-payment system, or on perpetual lease with the right of purchase. From 1892 till 1907, these three forms of tenure continued, except that the lease in perpetuity was substituted for the perpetual lease. It seems necessary to state this because the writer has found quite a common belief in America and elsewhere to the effect that all the land in New Zealand is owned by the state. This misconception may have arisen from a statement repeated continually in the *Official Year Book* that "the distinguishing features of the present land system involve the principle of state ownership of the soil with a perpetual tenancy in the occupier. . . . . In point of fact most of the crown lands are now disposed of for terms of 999 years." This statement is misleading because of the total area, 66,861,440 acres, in New Zealand, there was held as freehold in 1906 more than eighteen and one-half million acres. The total area was held roughly as follows:

	ACRES
Freehold	18,500,000
Leased from crown	17,000,000
Held by natives	8,250,000
Reserves for educational purposes and national parks	12,250,000
Unfit for use	7,000,000
Not yet dealt with	3,304,114

In 1906 the Government proposed that no more crown lands should be sold. But this proposal met with such strong opposi-

tion that it had to be modified. Accordingly, in 1907, an act was passed creating national endowments, the rentals of which for all time are to be applied for educational purposes and to assist in paying old-age pensions. The area reserved was 7,000,000 acres and provision was made for ultimately increasing it to 9,000,000 acres. But even this proposal would not have been accepted had not the avowed object been to create endowments for specific purposes, and had not other legislation in the same year made it probable that by increased taxation of large estates, and by the acquisition by the state of large areas of native land for settlement, large areas of freehold will be thrown on the market.

Summarizing the results of this aspect of the land question in New Zealand, we have seen that the numerous attempts to retain the unearned increment in land for the benefit of the community have produced little result—the first attempts were vetoed by the Upper House; owing to the exigencies of political compromise the attempts of Sir John McKenzie resulted in a disastrous bargain for the state in the shape of the futile 999 years' lease at a fixed rental; in recent years the tenants of these leases have acquired the right of purchase. Indeed, there was little or nothing to be gained by refusing the right, but the terms on which it has been granted render it as useless to the tenant as was the lease itself to the state.

It may be that the new system of renewable lease will prove more profitable to the state and satisfactory to the tenant—time alone will show. But the chief danger of a large state tenancy has already been strikingly illustrated in New Zealand, namely, the immense political pressure which they can exercise. They have also, in times of depression, clamored for reduction of their rents. One witness before the Land Commission in 1905, who supported the freehold, on being pressed to give reasons for the faith that was in him said "I believe in the freehold because the freeholder is the man to whom, in times of trouble, the state will look; and the lease-holder is the man who, in times of trouble, will look to the state."

The strenuous opposition that was made to the proposal in

1906 to stop the sale of crown lands is further evidence of the strong feeling for the freehold that exists in New Zealand.

No doubt as the industrial population grows larger, and the agricultural and pastural interests become less dominant in political life, further proposals will again be made to establish or extend the principle of state ownership. But the farmer has proved too strong for the land reformer, or if he has not succeeded altogether in getting his own way, he has at least prevented the theory of state ownership from being carried to its legitimate conclusion.

It is probable that had the efforts of the legislature in the past been more uniformly concentrated on preventing land monopoly and ensuring close settlement on freehold farms, more progress might have been made than has been possible on the lines attempted in the past.

LAND MONOPOLY

The same natural conditions are not in force to prevent land monopoly in New Zealand as prevail in many parts of North America. In some parts of Canada the climate makes it useless for a man to hold more than a very limited area of land. The season during which he can sow and reap is short and during the winter he must house and feed his stock. On the other hand, in some parts of America the ground is so dry that only so much can be used as the farmer can effectively irrigate. But not so in New Zealand. The climate there is so mild that except in the high country the farmer can work his ground in midwinter. Droughts are very rare and circumscribed in their area. Indeed, the only limit to the extent of country the farmer can stock is the limit of his purse.

These facts explain to a large extent why land monopoly in New Zealand has been so burning a question almost from the time of the first settlement.

In the North Island so large an area was covered with forest, and conflicts with the natives were so frequent, that the progress of pastoral pursuits was retarded. But in the South Island the wide fertile plains of Canterbury offered a tempting field for a

pastoral life. On these plains occurred the most classic examples of land grabbing that have occurred in New Zealand. But no one merely reading the early land regulations could understand how this became possible. They seem to have been expressly designed to prevent land aggregation. The public lands of Canterbury were originally opened for sale at £3 (later at £2) an acre. The purchaser selected and applied for his land and, on payment of the price, received a license to occupy. The land was then surveyed and a crown grant was issued to him. This price of £3 an acre was high compared with the price of land in other parts of the Colony. It was fixed on the "high-price principle" under the Wakefield policy for the express purpose of ensuring close settlement.

How then did land monopoly come about? The explanation lies in the fact that until land was purchased from the crown it was open to be rented for pastorage purposes at a nominal rent of £1 per 100 acres. Now whoever depastured his sheep under these licenses held the land subject to the right of any settler to select and pay the government for any part of it; thereupon the sheepfarmer's license to depasture ceased as to that part. His occupancy was intended to be temporary, and subordinate to the claims of the farmer when the farmer should arrive. But the wishes of the sheepfarmer by no means coincided with the intentions of the founders of the province. It was not long before a limited number of squatters held immense areas—indeed all the best lands of the province—under these licenses to depasture. They next directed their efforts toward retaining possession without expending the price of £3 an acre necessary to purchase the land. In this they succeeded to an extent that is borne witness to at the present time by the great holdings in Canterbury which have descended to the present generation like the lands of great county families in England. The methods they adopted were as varied as they were ingenious. For example, for each shepherd's hut they erected they received by law what was called a pre-emptive right over 50 acres besides a 250 homestead pre-emptive right; for every 38½ chains of wire fencing erected a pre-emptive right over 50 acres. These rights

signified that the squatter was granted the first right to buy the area in question but without being compelled to do so for a number of years, so that by running subdivision fences up all the watered valleys and across all open flats nearly the whole ranch could be secured from purchase by outsiders.

"Gridironing" consisted in buying a series of 20-acre sections so surveyed as to leave 19 acres unbought between each two sections bought; and as no one could buy less than 20 acres without going to auction, the alternating 19-acre sections were left to be occupied by the runholder.

"Spotting" consisted in buying small sections of from 20 to 100 acres which included all the available creeks and rendered the adjoining ridges secure from purchase owing to the lack of water. A close watch was kept on strangers and if it was supposed they had any piece in view for purchase, the runholder sent in post haste to the land office and forestalled them. One writer has stated that "a man wanting a bit of land had to take as many precautions as he would in Scotland to stalk a stag in a well-preserved deer forest." A bona fide settler was looked on as an intruder, and a mean fellow, if he outwitted the runholder and secured a small piece of the land which the latter was supposed to occupy merely pending closer settlement.

In America there were always squatters on the frontier but they had always to give way before the advancing wave of farmers. In Canterbury the large landholders made the laws, and spent the public funds on roads which fronted their lands. Furthermore, whenever a "cockatoo" secured land the runholder took care to leave a narrow strip of crown land intervening between them so that the whole cost of fencing must be borne by the "cockatoo."

Part II of this article will discuss the effects of such recent remedial legislation as the Land for Settlement Act of 1894, and the several graduated land tax acts, in breaking up large holdings and opening up land for closer settlement.

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[*To be concluded*]